



THE COMMITTEE ON ENERGY AND COMMERCE

INTERNAL MEMORANDUM

July 11, 2011

To: Members, Health Subcommittee

From: Committee Staff

Re: "IPAB: The Controversial Consequences for Medicare and Seniors"

On July 13, 2011, at 9:00 a.m. in room 2123 Rayburn House Office Building, the Subcommittee on Health will hold a hearing entitled "IPAB: The Controversial Consequences for Medicare and Seniors."

The hearing will consist of four panels. The first panel will be composed of Members of Congress. Health and Human Services Secretary Kathleen Sebelius will testify on the second panel. The third panel will be composed of researchers from the Congressional Research Service and various policy analysts. The fourth panel will consist of stakeholders.

I. Witnesses:

First panel

The Honorable John Cornyn, Senator (TX)
The Honorable Allyson Schwartz (PA-13)
The Honorable David P. Roe (TN-01)
The Honorable George Miller (CA-07)

Second Panel

The Honorable Kathleen Sebelius, Secretary
Department of Health and Human Services

Third Panel

Chris Davis, Legislative Analyst, Congressional Research Service
David Newman, Financial Analyst, Congressional Research Service
Diane Cohen, Senior Attorney, Goldwater Institute
Judy Feder, Senior Fellow, Center for American Progress
Avik Roy, Healthcare Analyst, Monness, Crespi, Hardt & Co.
Stuart Guterman, Senior Program Director, The Commonwealth Fund
Dr. Scott Gottlieb, Resident Fellow, American Enterprise Institute

Fourth Panel

Dr. Alex Valadka, Chief Executive Officer, Seton Brain and Spine Institute
Mary Grealey, President, Healthcare Leadership Council

Theresa Morrow, Founder, Women Against Prostate Cancer
Dr. Jack Lewin, Chief Executive Officer, American College of Cardiology

II. Background

What is the Independent Payment Advisory Board (IPAB)?

Section 3403 of the Patient Protection and Affordable Care Act (PPACA) established the 15-member **Independent Payment Advisory Board** (IPAB or the “Board”) “to extend Medicare solvency and reduce spending growth through the use of a spending target system and fast-track legislative approval process.”¹

Membership

The Board is to be composed of 15 members appointed by the President with the advice and consent of the Senate. The Secretary of Health and Human Services (HHS), the Administrator of the Centers for Medicare and Medicaid Services (CMS), and the Administrator of the Health Resources and Services Administration (HRSA) will be ex-officio nonvoting members. The appointed members of the Board are to provide varied professional and geographic representation and possess recognized expertise in health finance and economics, actuarial science, health facility management, health plans and integrated delivery systems, and reimbursement of health facilities. At present, the President has not submitted any names of persons to be considered for membership on the Board.

How will the IPAB work?

By April 30 of each year—beginning in 2013—the CMS Office of the Actuary will project whether Medicare’s per-capita spending growth rate in the following two years will exceed a targeted rate. Initially, the targeted rate of spending growth will be based on the projected five-year average percentage increase in the Consumer Price Index for all urban consumers (CPIu) and the Consumer Price Index for all urban consumers for medical care (CPIm). Beginning in 2018, the target will be set at the nominal gross domestic product per capita, plus 1.0 percent.

If future Medicare spending is expected to exceed the targets, the IPAB will propose recommendations to Congress and the President to reduce the growth rate. The IPAB’s first set of recommendations would be proposed on January 15, 2014. The first set of recommendations would be implemented on January 1, 2015. If Congress fails to pass legislation by August 15 of each year to achieve the required savings through other policy changes, the IPAB’s recommendations will automatically take effect. If the Board fails to act, the HHS Secretary is then directed to prepare and submit a proposal that will go through the same expedited legislative process as a proposal from the Board.

¹ Section 3403(b), PPACA.

The legislation establishes a second “fast track” parliamentary mechanism for consideration of legislation discontinuing the automatic implementation process for the recommendations of the IPAB. A joint resolution discontinuing the process must meet several conditions. It must be introduced in 2017 by not later than February 1 of that year. Debate on the measure is limited to 10 hours in the Senate and it must be approved by a supermajority vote of three-fifths of Senators. Passage of the joint resolution in the House also requires a supermajority of three-fifths of Members.

Hospitals and hospice will not be subject to cost reductions proposed by the IPAB from 2015 through 2019. Clinical labs would be exempt for one year.

Beginning July 1, 2014, the IPAB must also submit an annual report providing information on system-wide health care costs; patient access to care; utilization; and quality of care that allows comparison by region, types of services, types of providers, and payers—both private insurers and Medicare.

By July 1, 2015, the Government Accountability Office is to submit a report that includes an analysis of the effects of Board recommendations on access, affordability, other sectors of the health care system, and quality of care.

Funding

PPACA authorizes \$15 million for the IPAB for 2012 and increases its funding at the rate of inflation for subsequent years.²

III. Conclusion

This hearing will discuss the structure of the Board, the process by which the Board will develop proposals to reduce spending in the Medicare program, and the process by which the recommendations of the Board will become law. The hearing will also include a discussion of the possible impact of the Board on the Medicare program and the overall health care system.

IV. Staff Contacts

Should you have any questions regarding the hearing, please contact John O’Shea or Ryan Long at 5-2927.

² Timothy Stoltzfus Jost. “The Independent Payment Advisory Board.” *The New England Journal of Medicine*, (May 26, 2010).